

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IES UTILITIES INC.	DOCKET NO. WRU-98-39-151
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**ORDER GRANTING REHEARING, REQUIRING ADDITIONAL
INFORMATION, AND SETTING HEARING**

(Issued May 3, 2001)

On March 21, 2001, the Utilities Board (Board) granted IES Utilities Inc. (IES) a two-year extension of a waiver of two of the electric flexible rate rules, 199 IAC 20.14(3)"b" and "c," with respect to a contract with one of IES's customers, Keokuk Ferro-Sil (Ferro-Sil). The flexible rate rules at issue provide that the ceiling for all discounted rates shall be the approved rate on file for the customer's rate class and that the floor for the discount rate shall be equal to the energy costs and customer costs of serving a specific customer. The Ferro-Sil contract is unique because it bases the price of electricity on a portion of Ferro-Sil's operating costs, not IES's cost of service to produce electricity. The price paid by Ferro-Sil for electricity will vary depending on its operating cost and could be above or below both the price ceiling and the price floor.

The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an application for rehearing on April 6, 2001. Consumer Advocate asks rehearing on two issues: 1) Does the Ferro-Sil contract violate Iowa Code § 476.5, which provides, in part, that "[n]o. . . public utility shall make or grant any unreasonable preferences or disadvantages at to rates or services to any person or

subject any person to any unreasonable prejudice or disadvantage," and 2) the Board's deferral of determination of a contract price floor to a rate case proceeding. IES filed an answer to the application for rehearing on April 20, 2001.

The hearing in this docket was held on January 23, 2001. Since that time, there have been significant changes to IES's monthly energy adjustment clause (EAC). For example, on March 26, 2001, the Board issued an order approving an adder to IES's monthly EAC for April, May, and June to address a significant undercollection. IES Utilities Inc., "Order Granting Supplemental Waiver of 199 IAC 20.9(2)," Docket No. WRU-99-40-151 (EAC-01-07), issued March 26, 2001. The Board believes that the economics of the Ferro-Sil contract may have changed such that rehearing is warranted. Therefore, the Board will grant the request for rehearing and schedule a hearing to take additional evidence. If the parties wish to file prefiled testimony on rehearing, the testimony is to be filed on or before May 15, 2001. In addition, the Board requests that IES have present at the hearing a witness who can provide an updated economic outlook for the ferrosilicon industry in general and the Ferro-Sil plant in particular.

In addition to evidence the parties may wish to present, the Board directs IES to provide the following information on or before May 15, 2001:

1. Provide in spreadsheet form the following information:
 - a) Sales (in kWh) to Ferro-Sil for each of the 12 months ended April 30, 2001, and total.
 - b) Base rate revenue, for each of the 12 months ended April 30, 2001, Ferro-Sil would have paid (assumes Ferro-Sil would have remained an IES

customer in the absence of receiving any discounts) had not the discounts existed, and total of 12 months.

c) EAC revenue, for each of the 12 months ended April 30, 2001, Ferro-Sil would have paid (assumes Ferro-Sil would have remained an IES customer in the absence of receiving any discounts) had not the discounts existed, and total of 12 months.

d) Total revenue, for each of the 12 months ended April 30, 2001, Ferro-Sil would have paid (assumes Ferro-Sil would have remained an IES customer in the absence of receiving any discounts) had not the discounts existed, and total of 12 months.

e) Total revenue, for each of the 12 months ended April 30, 2001 from Ferro-Sil, and total of 12 months.

f) Discounts for each of the 12 months ended April 30, 2001 that Ferro-Sil has received, and total of 12 months.

2. Provide per unit of sale EAC and the energy cost recovery prices in your calculations for each of the 12 months ended April 30, 2001.

3. Provide a second spreadsheet which repeats the above information, but substitutes estimates of EAC rates for the period May 1, 2001 through April 30, 2002. Such factors should be consistent with factors provided in Docket No. WRU-99-40-151 (EAC-01-7).

4. Provide per unit of sale EAC and the ECR prices in your calculations for each of the 12 months ended April 30, 2002.

IT IS THEREFORE ORDERED:

1. The request for rehearing filed by the Consumer Advocate Division of the Department of Justice on April 6, 2001, is granted to the extent the Board will hear additional evidence as outlined in this order.

2. IES Utilities Inc. shall file the information identified in this order on or before May 15, 2001, and provide a witness at hearing as identified in this order. Any party that desires to file prefiled testimony on rehearing shall do so on or before May 15, 2001.

3. A hearing shall be held beginning at 9 a.m. on May 31, 2001, for the purpose of receiving testimony and the cross-examination of all testimony relevant to rehearing. The hearing shall be held in the Board's hearing room at 350 Maple Street, Des Moines, Iowa 50319-0069. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper
Acting Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 3rd day of May, 2001.